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TAGS: [ECON](#) [PGOV](#) [ETRD](#) [EINV](#) [MARR](#) [CU](#) [VE](#)
SUBJECT: GBRV EXPANDS CONTROL OVER PORTS

REF: A. CARACAS 330
[B.](#) CARACAS 778
[C.](#) CARACAS 908

Classified By: Economic Counselor Darnall Steuart for reasons 1.4 (b) and (d).

[11.](#) (C) Summary: In a July 30 decree, the Ministry of Public Works and Housing (MPWH) ordered the immediate nationalization of private warehouse operations at four ports, including Puerto Cabello, Venezuela's largest. The decree leaves vague the status of the private companies and their employees. It appears the companies will have to negotiate compensation with the relevant entity of the Venezuela government (GBRV), specifically Bolipuertos or Puertos del Litoral Central (PLC), with the possibility of outright expropriation if no agreement is reached. Most of the companies' employees will be contracted on a temporary basis by Bolipuertos or PLC, though many believe only those demonstrating loyalty to the revolution will be brought onto the payroll permanently. The nationalizations will further extend the control exercised by the GBRV over ports, a process begun in March when the revised "decentralization" law moved authority over port administration from the states to the central government (ref A). Separately, the GBRV issued a decree on July 29 authorizing the formation of a joint Venezuelan-Cuban company to develop and execute projects at Venezuelan and Cuban ports. End summary.

Immediate Nationalization...

[12.](#) (U) In a decree published in the National Gazette dated July 30, the Ministry of Public Works and Housing (MPWH), headed by Chavez confidant Diosdado Cabello, declared the immediate nationalization of private warehouse operations at four key ports: Puerto Cabello (Carabobo state, Venezuela's largest port); La Guaira (Vargas state, serving Caracas); Maracaibo (Zulia state); and Guamache (Nueva Esparta state). Private warehouse operators were ordered to turn over all equipment and infrastructure to state-owned company Bolipuertos (or, in the case of La Guaira, to state-owned Puertos del Litoral Central (PLC)). The decree states private operations at other ports will be subject to the same measure, pending government review. This decree follows the June 10 announcement by MPWH that it would review all concessions granted to private warehouse operations (ref B). As of August 3, contacts at Puerto Cabello said some operations were disrupted, with some warehouses shut down and others slowly resuming operations under Bolipuertos. Seniat,

the GBRV's tax and customs authority, had blocked access to the port's electronic customs clearance system to all operators except Bolipuertos. (Note: A contact at Puerto Cabello, whose company owned a warehouse there, told Econoff no U.S. companies owned warehouses at Puerto Cabello or, to the best of his knowledge, at any of the other three ports, i.e. no U.S. companies had assets nationalized. He said the only foreign company affected at Puerto Cabello was DP World of Dubai. End note.)

...Leaving Companies and Workers in Limbo

¶3. (SBU) The July 30 decree leaves the status of the private companies and their employees perhaps purposefully vague. It obligates Bolipuertos or PLC to determine the goods and equipment necessary for port operations and enter into negotiations with the owners. It does not give a timeframe for these negotiations, however, and it leaves open the possibility of expropriation if an agreement is not reached. A transportation logistics contact told us Bolipuertos was telling warehouse owners it would not reimburse them for equipment bought using profits from warehouse operations but would consider paying for equipment purchased to stand up the warehouses initially. According to this contact, Bolipuertos told warehouse owners at the port of Maracaibo, whose assets Bolipuertos had seized de facto in mid-June (ref C), that they would receive compensation within 30 days but subsequently extended the period an additional 60 days. A shipping contact said he had been told the GBRV does not plan to take control of stevedore services at the ports. Given the seizure of all warehouse equipment, however, this contact

CARACAS 00001022 002 OF 002

expressed doubt that any private stevedore company would be willing to bring in new equipment.

¶4. (SBU) The decree orders Bolipuertos or PLC to contract through December 31 at current prevailing wages the workers deemed "necessary" for the functioning of the warehouses. It also tasks Bolipuertos with developing a national compensation policy in accordance with an "equitable and socialist vision" that would apply to workers joining its payroll. Our logistics contact confirmed Bolipuertos was ordering workers to resign from their current job and rehiring them as contractors through December 31. He said there was an expectation Bolipuertos would ultimately hire on a permanent basis only those workers deemed politically acceptable. Contacts at Puerto Cabello reported workers from one of the warehouse companies were blocking a highway on the morning of August 3 to protest the decree.

Puertos del Alba: A Venezuelan-Cuban Joint Venture?

¶5. (SBU) In a separate decree published in the National Gazette dated July 29, the GBRV authorized the creation of Puertos del Alba, a state-owned company to be charged with "modernizing, renovating, equipping, and constructing" ports in Venezuela and Cuba. According to the decree, Puertos del Alba would fall under the authority of MPWH, would have an initial capital of 3.2 million bolivars (approximately USD 1.5 million at the official exchange rate), and would be jointly owned by Bolipuertos (51 percent) and Grupo Empresarial de la Industria Portuaria (ASPORT), a Cuban entity. (Note: The final article of the decree declares the June 2007 decree establishing Bolipuertos as "without effect." A contact explained to Econoff that this article did not mean Bolipuertos would cease to exist, but rather that the function of developing ports' physical infrastructure would be transferred to Puertos del Alba, with the function of port administration remaining with Bolipuertos. End note.)

Comment

¶6. (C) As with other recent GBRV nationalizations, it will take time before the full implications of the July 30 decree for private port warehouse operators and their employees are clear. In the short term, we can expect a degree of confusion and disruption in port operations as the transfer to Bolipuertos and PLC takes place. If previous nationalizations are any guide, we can expect port operations to become even more inefficient over the medium term. The warehouse seizures are part of the GBRV's extended nationalization spree over the past five months and will help the GBRV extend its control over goods entering and leaving the country. End comment.

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